
Opportunities and Insights for Cooperative Board Education

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Building From Last Year's Director Training Model

- Tiers One and Two in Review
 - Tier One is a two-day program that combines introductory governance issues with those of beginning financial and equity management.
 - Tier Two focuses on strategic thinking including topics on strategy formulation and implementation and advanced governance issues with emphasis placed on director and management evaluation, compensation and recruitment of management, and creating a high performance board
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Evaluations—Tier One

| Tier 1 | Bad | Poor | Good | Excellent |
|--|--------------|--------------|---------------|------------------|
| Cooperatives & Cooperative Management | 0.00% | 0.00% | 67.74% | 32.26% |
| General Board Responsibilities | 0.00% | 0.00% | 54.84% | 45.16% |
| Legal Foundations of Cooperatives | 1.06% | 3.19% | 59.57% | 36.17% |
| Legal Responsibilities and Issues | 1.06% | 3.19% | 59.57% | 36.17% |
| Policy Governance | 0.00% | 1.08% | 53.76% | 45.16% |
| Introduction to Cooperative Finance | 0.00% | 1.08% | 56.99% | 41.94% |
| Cooperative Financial Analysis | 0.00% | 2.00% | 26.00% | 72.00% |
| Cooperative Financial Objectives and Budgets | 0.00% | 2.27% | 31.82% | 65.91% |
| Cooperative Equity Management | 0.00% | 2.53% | 31.65% | 65.82% |
| Length of the Program | 0.00% | 6.67% | 72.22% | 21.11% |
| Workbook and Handouts | 0.00% | 1.11% | 48.89% | 50.00% |
| Total | 0.22% | 2.08% | 53.67% | 44.03% |

Evaluations—Tier Two

| Tier 2 | Bad | Poor | Good | Excellent |
|--|--------------|--------------|---------------|------------------|
| Introduction to Strategic Thinking | 0.00% | 0.00% | 67.74% | 32.26% |
| Introduction to Strategy Formation | 0.00% | 6.45% | 61.29% | 32.26% |
| Intermediate Strategic Formation | 0.00% | 6.45% | 58.06% | 35.48% |
| Strategy Implementation | 0.00% | 0.00% | 45.16% | 54.84% |
| Introduction to Board Evaluation | 0.00% | 6.45% | 45.16% | 48.39% |
| Introduction to Manager Appraisal | 0.00% | 6.45% | 45.16% | 48.39% |
| Compensation and Recruitment of Management | 0.00% | 12.90% | 48.39% | 38.71% |
| Creating a High Performance Board | 0.00% | 3.23% | 45.16% | 51.61% |
| Length of the Program | 0.00% | 13.33% | 63.33% | 23.33% |
| Workbook and Handouts | 0.00% | 3.33% | 46.67% | 50.00% |
| Total | 0.00% | 5.84% | 52.60% | 41.56% |

Overview of Tier 3

- Give directors an opportunity to practice the skills
- Create an environment of open communication
 - Decision-making process is emphasized rather than the decision itself.
 - Participants are challenged to gather pertinent information from complex scenarios
 - listen to the opinions of others
 - make decisions rather than tabling difficult problems

Overview of Tier 3

- The experiential learning exercise is centered on a simulated business, Farm Country Cooperative
 - Board of directors meets in six sessions over the period of one year to address representative cooperative issues such as:
 - Establishing equity payouts
 - Closing down inefficient operations
 - Deciding how to go about handling redistricting issues

Overview of Tier 3

- The board's decisions are recorded
 - Individual board members must provide a rationale for their decision on "input" sheets
 - The input sheets contain leading questions that encourage participants to place their decision in context
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Overview of Tier 3

- Tier Three students are divided into groups of six that serve as Farm Country's Board
 - The groups are chosen so that no two members of Farm Country's board actually serve together on their own board of directors "back home," nor are they paired with a cooperative manager with whom they work
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Overview of Tier 3

- Board members play different roles with each board meeting
 - Everyone has the opportunity (and obligation) to adopt a leadership position
 - Each table's facilitator ensures that the relevant information is followed and occasionally will ask questions to generate discussion
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Overview of Tier 3

- A unique feature of each simulated board meeting includes the "rogue" board member who is responsible for raising difficult issues that the board must address
 - The rogue board member rotates among the participants as well, and the facilitator provides directions for this individual
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Overview of Tier 3

- The rogue's comments generate discussion and thought
 - Participants enjoy playing the rogue's role by arguing divergent views
 - Playing the rogue is particularly valuable for introverted board members who need an icebreaker to fully participate in Tier 3 training
 - Rotating the rogue role creates a level of shared experience and trust among the Tier Tree participants encouraging them to share ideas with each other more readily

Overview of Tier 3

- Each simulated board meeting ends with a general session eliciting the three most important lessons learned during that session
- The board facilitators coordinate the general session
- The decision process is contrasted against the experience of other Farm Country boards
 - A general agreement is made about the most important learning points
 - These summary points are typed and distributed among the Tier Three participants at the conclusion of training



**FARM COUNTRY COOPERATIVE
SECOND BOARD AGENDA
March, 2005**

- I. DETERMINATION OF BOARD CHAIRMAN, VICE CHAIRMAN, SECRETARY, AND GENERAL MANAGER (rotate to the right).
- II. CALL MEETING TO ORDER
- III. APPROVAL OF MINUTES OF LAST MEETING
- IV. UNFINISHED BUSINESS
- V. GENERAL PRESENTATIONS
 - a. Manager's Report
 - i. Discuss any changes in financials/operations based on previous meeting's decision
- VI. CASE 2 TO BE GIVEN TO THE BOARD TO READ
- VII. MAKE BOARD DECISIONS AND FILL OUT INPUT SHEETS
- VIII. NEW BUSINESS
- IX. OTHER BUSINESS
- X. ADJOURNMENT



**FARM COUNTRY COOPERATIVE
SECOND BOARD PRESENTATION
REDISTRICTING
March, 2005**

**General Case
Roles for Board 2:**

You are just one of the general members of this board meeting.

ISSUE #1: Redistricting

Several strong patrons of the cooperative from the Sommerville area have recently voiced concern about their decreasing representation on the board of directors. When Sommerville Farmers Cooperative merged with the Starkville Farmers Cooperative to form Farm Country Cooperative, they had adequate representation on the board with three of the seven seats. Over the years, their representation has declined so that only one board member is from Sommerville, and he has announced he will retire from the board soon. These patrons fear that this seat will not be filled by a patron from Sommerville, which would completely eliminate their representation.

These patrons have requested that the board discuss the option of electing board members based on a district system. This system would mandate that at least one director is elected from each of five districts with two at large directors (two districts are in the Sommerville area). The patrons feel this will ensure their representation on the board for years to come. They feel very strongly about this issue and have mentioned that they would begin doing business elsewhere if Sommerville was not adequately represented on the board.

Other members feel that districting is not fair because the importance of Sommerville to the overall profitability of the coop has dwindled over the past few years, and that if there were enough patrons from Sommerville that actively supported the coop, a director would naturally be elected from this membership base. They feel a district system would impose unnecessary boundaries that could potentially inhibit the election of good candidates simply based on their geographic location.

As the board of directors, you need to decide if districting is in the best interest of the cooperative.

General Case
You have a specific role for Issue #1 as outlined below
You have no role for Issue #2

ISSUE #1: Redistricting

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These patrons have requested that the board discuss the option of electing board members based on a district system. This system would mandate that at least one director is elected from each of five districts with two at large directors (two districts are in the Sommersville area). The patrons feel this will ensure their representation on the board for years to come. They feel very strongly about this issue and have mentioned that they would begin doing business elsewhere if Sommersville was not adequately represented on the board.

Other members feel that districting is not fair because the importance of Sommersville to the overall profitability of the coop has dwindled over the past few years, and that if there were enough patrons from Sommersville that actively supported the coop, a director would naturally be elected from this membership base. They feel a district system would impose unnecessary boundaries that could potentially inhibit the election of good candidates simply based on their geographic location.

As a member of the board of directors, you need to decide if districting is in the best interest of the cooperative.

Role for Board 2, ISSUE #1:

Over the years, their representation has declined so that you are the only board member from Sommersville, and you have announced that you will retire from the board soon. Your patrons fear that this seat will not be filled by a patron from Sommersville, which would completely eliminate their representation. As the current board member from Sommersville, you feel strongly about supporting the districting issue and you are formally bringing the request before the entire board for discussion.



FARM COUNTRY COOPERATIVE
SECOND BOARD MEETING INPUT SHEET
March, 2005

ISSUE 1:

1. List 3 pros/cons of redistricting from the *patrons'* perspectives.

Pros

Cons

2. List 3 pros/cons or redistricting from the *cooperative's* perspective.

Pros

Cons

3. Redistrict, yes or no?

4. If you don't redistrict, how do you smooth things over with the Sommersville patrons?

5. What questions would you, as board members, want to ask about making this decision?



**FARM COUNTRY COOPERATIVE
SECOND BOARD MANAGER'S REPORT
March, 2005**

- Sales are down about 3% under budget due to an open winter, less feed volume and warmer than usual weather, which has driven down propane sales. We hope that we can make it up in additional fertilizer sales this spring.
- In fact, we have the opportunity to increase fertilizer sales, which will in turn increase **overall sales** by 5%. However, in order to do this, I will need to hire an additional salesperson and will need to purchase an additional pickup which is not in the fixed asset budget. Personnel expenses will increase by \$40,000 and the additionally depreciation and truck expenses for the year will be \$6,000 and \$12,000 respectively. (The truck will cost approximately \$35,000)
- In the past, we have allowed members to assign their equity to others, and the Board has approved such assignments. Tom Jones is 45 years old and he is asking that the \$100,000 in equity that he has accumulated be transferred to his father.
- I have received a \$12,835 equity request from Smiley Zortman who is the administrator for Dimples Zortman's estate. This situation is holding up the finalization of the estate and Smiley wishes to get it resolved as soon as possible.

The Floater truck is ordered and I will be ordering the budgeted Pickup for Crop Production next week.



**Excel Input Sheet for Facilitator
Model Sheet
Input Items in Blue
Board 2 Decisions to Affect Board 3 Numbers**

Decisions Two and Three:

2. Redistrict or not

Please Circle Decision: For your eyes only!

Redistrict: Yes \$ 25,000 Expense

Redistrict: No \$500,000 loss in Sales

3. Purchase new Truck

Please Circle Decision:

Purchase: Yes \$40,000 Personnel Expense
6,000 Depreciation Expense
12,000 Truck Expense
Sales increase by 5%

Purchase: No No change on statements



**FARM COUNTRY COOPERATIVE
SECOND BOARD MEETING
Facilitator Notes
March, 2005**

GENERAL OVERVIEW:

This board meeting should focus on **board governance** and making decisions as a whole for the overall good of the cooperative, without placing too much emphasis on their individual wants/needs as customers of the cooperative. As a member of a board, their authority is broad-reaching and many decisions are often made that seem "like a good idea at the time" but may not necessarily have the long-term good of the co-op in mind.

ISSUE #1: 15-20 minutes for discussion, questions, and decision

This issue is designed to provoke thought in the area of fair representation on the board. This may or may not be done by redistricting. The following are several questions that may help them in establishing healthy conversation around this matter (Again, let the board come up with these on their own if possible):

- Will this decision be for the good of the entire co-op? Is the decision being made to pacify a select few?
- Will this decision be long lasting and work for years to come?
- Can we live with the consequences long-term?
- What happens as the co-op merges or changes over time?

Both decisions will have defined financial consequences that they will NOT know ahead of time or while making the decision. They should have an idea of what might happen, but their decision does not need to be made based solely on that chance (losing the business of a few large customers). The decision should be based on what they think makes sense for the co-op in the context of the four criteria (four circles), in particular **board governance**.

Excel Spreadsheet Examples

Overview of Tier 3

- A final note:
 - Board members are separated from their hometown peers to participate in simulations; however, significant break opportunities, meal times, and evenings are kept free from structured activity.
 - Often, the hometown boards talk about the day's training during this free time, and then discussion shifts to the issues that the hometown board of directors face.
 - A direct result of the training, then, is creation of a focused communication opportunity.
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What's Next?

- Using the format of Tier 3, we are now focusing on topic areas for further board training
 - In February, we will be doing a one-day merger/acquisition training
 - Other topics include equity and rules of order/procedure
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